

ANALYSIS OF AMENDED BILL

Author: Briggs Analyst: Roger Lackey Bill Number: AB 983
Related Bills: See Legislative History Telephone: 845-3627 Amended Date: 05-10-2001
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Enterprise Zones/Allows City or County To Apply For Reconfiguration Of Geographic Boundaries

SUMMARY

This bill would allow the City Council of the City of Fresno to reconfigure the geographic boundaries of an existing enterprise zone.

SUMMARY OF AMENDMENTS

The May 10, 2001, amendments added that redevelopment project areas adopted by the City of Fresno that include property zoned for industrial and commercial use would be given priority for inclusion in the reconfiguration.

The April 19, 2001, amendments deleted "a city, county, or city and county" from applying for reconfiguration and instead added the City Council of the City of Fresno may apply for reconfiguration of an existing enterprise zone.

The amendments also added that in order to include the application for reconfiguration no other land currently located in the enterprise zone could be available for development.

In addition, the amendments added statements of uncodified law regarding the unique circumstances existing in the City of Fresno and its double-digit unemployment rate to satisfy the constitutional requirement regarding enactment of a special statute instead of a general statute. These statements would not impact the department's analysis.

This is the department's first analysis of the bill.

PURPOSE OF THE BILL

The author's staff has indicated that the purpose of this bill is to enable the City of Fresno to attract new businesses.

EFFECTIVE/OPERATIVE DATE

As an urgency measure, this bill would take effect immediately upon enactment and apply to taxable years beginning on or after January 1, 2001.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
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<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald H. Goldberg

05/30/01

POSITION

Pending.

ANALYSIS

FEDERAL/STATE LAW

Under the Government Code, existing state law allows the governing body of a city, county, or city and county to apply for designation as an enterprise zone. Using specified criteria, the Trade and Commerce Agency (TCA) designates enterprise zones from the applications received from the governing bodies. Enterprise zones are designated for 15 years (except enterprise zones meeting certain criteria may be extended to 20 years), and TCA has designated each of the 39 enterprise zones authorized under existing law. When an enterprise zone expires, TCA is authorized to designate another in its place. TCA may approve the geographic expansion of enterprise zones up to 15% in size and, for certain small enterprise zones, up to 20% in size.

Under the Revenue and Taxation Code, existing state law provides special tax incentives for taxpayers conducting business activities within an enterprise zone. These incentives include a sales or use tax credit, hiring credit, business expense deduction, special net operating loss treatment, and net interest deduction. In addition, specified employees of businesses operating within an enterprise zone may claim a wage credit.

THIS BILL

This bill would allow the City Council of the City of Fresno to apply to TCA for the reconfiguration of the geographic boundaries of an existing enterprise zone within its jurisdiction and allows the TCA to approve that application. The reconfiguration would have to be consistent with the enterprise zone's existing size and subject to the requirement that no other land within the zone is available for development. The reconfiguration would have to be within an approved expansion area and would be required to have contiguous boundaries.

This bill would require that redevelopment project areas adopted by the City of Fresno that include property zoned for industrial and commercial use be given priority for inclusion in the reconfiguration.

Any businesses located in or that move to areas encompassed by the reconfigured enterprise zone boundaries would be eligible for the enterprise zone tax incentives. In addition, any business located in an existing enterprise zone that, because of reconfiguration, was no longer located within the enterprise zone boundaries, would continue to be eligible for the enterprise zone tax incentives.

This bill specifies that it should not be interpreted to extend the designation date of the enterprise zone. This bill would apply only to an enterprise zone that is in a county with a specified unemployment rate.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations.

LEGISLATIVE HISTORY

AB 51 (Briggs, 1999/2000) would have allowed the governing body of a city, county, or city and county to reconfigure the geographic boundaries of an existing enterprise zone. This bill died in Senate Appropriations Committee.

OTHER STATES' INFORMATION

Currently, 29 other states have economic development areas that provide similar tax related incentives to those provided by California's economic development areas. The number of economic development areas varies from state to state. For example, California currently has 50 economic development areas, while *New York* has 58; *Florida*, 32; *Illinois*, 93; and *Michigan*, 23.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would result in additional revenue losses by allowing current out-of-area businesses and new businesses to claim enterprise zone tax benefits.

Since it is not known what businesses would be impacted, it is not possible to determine the magnitude of such losses. However, potential losses of \$1 million annually per reconfigured zone (average revenue loss per zone under current law) could occur.

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